

MINUTES

California Health Facilities Financing Authority (CHFFA)
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Sacramento, California 95814

Asset Strategies
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Monday, June 13, 2011

1:30PM

Patricia Wynne, Chairperson called the meeting to order at 1:32 P.M.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, Controller's Office
Pedro Reyes for Ana J. Matosantos, Department of Finance
Jack Buckhorn
Judith Frank – Teleconference
Dr. Oscar Sablan – Teleconference
Samuel Qiu
Ann Madden Rice

Member Absent: Ronald Joseph

Staff Present: Barbara J. Liebert, Executive Director
Rosalind Brewer, Deputy Executive Director

Chairperson Wynne declared a quorum present.

Chairperson Wynne announced the loss of Harry Bistrin, a beloved and long term CHFFA member. He was 83 years old, well known and loved. The meeting was opened in his honor.

Item #2 **Approval of the Minutes from the April 28, 2011 Meeting (Action Item)**

Mr. Reyes moved for approval of the minutes and Ms. Holton-Hodson seconded the motion. The minutes were unanimously approved with a 6-Aye vote. Dr. Oscar Sablan and Jack Buckhorn abstained (taken by roll call).

Item #3 **Executive Director's Report (Information Item)**

Ms. Liebert submitted all of the fund balances for the record.

Ms. Liebert then reported on the two delegation items taken during the prior month for Stanford Hospital and Clinics and Catholic Healthcare West.

Ms. Liebert reported CHFFA sent out its annual billing for the annual fees accessed on all bonds outstanding. The total amount billed was approximately \$1.3 million.

Ms. Liebert then provided an update concerning the Medi-Cal Bridge Loan Program for 2011 noting various discussions with the CA Hospital Association, the Primary Care Association and the CA Association for Adult Day Services. Ms. Liebert indicated the first round of loans might be considered at the upcoming July meeting given the state's interim fund which is rumored to keep all potential borrowers funded until mid August. Ms. Liebert noted that CHFFA will have the same security measures as obtained during prior years, including an intercept through the Department of Health Services. Staff has updated the Interagency Agreement and it will be executed by the relevant parties in the very near future.

Ms. Liebert reported on Yolo Family Services and Samuel Dixon Family Health Center. They both requested a special dispensation to discontinue their HELP II loan payments and to resume the payment when it was financially comfortable for them. Mark Paxson, in-house counsel, sent letters to both borrowers requiring continued minimal payments and additional payments by specific dates. Both borrowers have agreed to the terms and have started resuming the minimal payments.

Ms. Liebert introduced two new staff members, Travis Coble, our new Office Technician, and Austin Whitted, our new student assistant. Ms. Liebert also noted the recent promotion of CEFA's TPMI manager, Martha Maldonado, to CHFFA and CEFA's TPMII position.

For the record, Ann Madden Rice joined the board meeting at this time.

Chairperson Wynne asked if any of the board members had any questions or if there were any public comments. Agenda items were taken out of order to accommodate travel requests.

Ms. Frank recused herself from agenda items #5 and #6 due to a conflict of interest. Ms. Frank currently owns stock with Wells Fargo Bank.

Item #5 **Downey Regional Medical-Center Hospital, Inc., Resolution No. 2011-03**

Ms. Liebert introduced Jane O'Donnell, Bankruptcy Counsel, CA Attorney General's Office, Lisa Fenning, Counsel, Arnold & Peter LLP, Kathleen Leak, Bond Counsel, Orrick, Herrington & Sutcliffe LLP, and Richard Moore, Bond Counsel, Orrick, Herrington & Sutcliffe LLP. Downey is in the midst of Chapter 11 bankruptcy proceedings and is seeking to conclude that bankruptcy within the next several months. Participation in the Voluntary Closing Agreement Program (VCAP) Program is necessary for Downey to secure bankruptcy exit financing as more specifically discussed in the next agenda item.

Ms. Leak explained why it was necessary for Authority approval. The IRS requires the issuer of the bonds to submit a request to participate in VCAP. Downey is unable to proceed without the Authority's approval.

Ms. Fenning explained the need for the request. Downey sold an asset that was part of the tax exempt proceeds and seemingly (as no records can be found) did not then properly report the sale to the IRS.

After board discussion, Chairperson Wynne asked if there were any public comments on this item. Mr. Buckhorn moved approval of the Resolution and Mr. Reyes seconded the motion. The Resolution was adopted with a 7-Aye vote (taken by roll call).

Item #6 **Downey Regional Medical-Center Hospital, Inc., Resolution No. 2011-04**

Ms. Liebert reported Downey requested Authority approval to buy back the bonds in order to sell the bonds to RCB Equity #1 LLC. As part of bankruptcy proceedings, RCB has agreed to purchase the bonds.

Staff recommended the Authority allow staff to execute the necessary documentation that would include an amendment to the existing supplemental indenture and an amendment to the existing supplemental loan agreement to enable Downey to secure the exit financing from Chapter 11 Bankruptcy.

Ms. Leak added the Authority issued the bonds for Downey in 1993 and Downey has maintained current payments throughout the entire existence of the issue.

Chairperson Wynne asked if there were any public comments on this item. Mr. Reyes moved approval of the Resolution and Mr. Buckhorn seconded the motion. The Resolution was adopted with 7-Aye vote (taken by roll call).

Just prior to the introduction of Agenda Item four, Mr. Reyes indicated he would abstain from voting on the item given the recommendation is to pursue legislation which may ultimately come before the Governor if the pursuit of legislation successfully makes its way through the assembly and the senate.

Item #4

New Grant Program, Resolution No. 2011-02

Chairperson Wynne introduced Barbara Liebert, Barbara Webster-Hawkins, and Mark Paxson. Ms. Liebert presented for the board's consideration the new grant program: CHFFA staff recommended the board authorize CHFFA staff to work closely with the State Treasurer to pursue legislative approval for CHFFA to utilize up to \$6.5 million over the next four years from CHFFA's fund balance to support a demonstration project designed to implement and evaluate an innovative system of delivering needed health care services that is cost effective, produces improved clinical outcomes, and can be replicated as a sustainable statewide approach. The funds would be used to fund the demonstration project (up to \$1.5 million) and, if results warrant it, grants to assist in replicating the successful system of services statewide (up to \$5 million). To ensure a fair and impartial process, CHFFA staff recommended that the legislation require a competitive process (Request for Applications) designed to elicit responses from health care experts and providers for the most cost-effective, productive, and sustainable delivery of innovative health care possible.

Ms. Frank asked if there might be any specific examples of a project that might qualify.

Chairperson Wynne replied that CHFFA had some ideas but wanted to explore new innovative ideas that may come in by way of the competitive process.

Dr. Sablan offered a possible example and described a project of which he is aware that is looking at reducing the cost of diabetes in California, and the needs that exist for such programs.

Chairperson Wynne thanked Dr. Sablan for his reminder of the challenges faced by Californians in the situations he described and who may be able to benefit. She stated that a demonstration project like he described might be able to apply for this funding.

Ms. Webster-Hawkins stated that it usually takes a couple of years of planning to get a demonstration up and running, and that staff hoped the grant process will bring forth those that are far enough along to facilitate the measurement of change.

Ms. Holton-Hodson recommended that staff not view the list in the staff report to become a check list in which all criteria must be met by every applicant. There are certain things such as addressing a policy change that may not be a need in every case. Also, we may want to consider funding more than one demonstration project.

Ms. Madden Rice queried whether CHFFA has the internal expertise to look at comparative effectiveness and to look at the efficacy of the health outcomes that will be proposed in the applications. Ms. Madden Rice also recommended that CHFFA consider the time that might be involved with undertaking a new grant program and asked if CHFFA has existing capacity and resources to handle such a proposed program.

Ms. Liebert, Mr. Paxson and Ms. Webster-Hawkins acknowledged the concerns raised by Ms. Madden Rice and described some potential elements of a grant process yet to be established that would make it manageable (such as a letter of interest stage after which a few select applicants would be invited to submit a full proposal and using a committee of outside raters, for example). Ms. Liebert also reminded the board of the significant scale of CHFFA's current four grant programs and the capacity of CHFFA staff to have handled and to continue to handle those programs.

Chairperson Wynne asked if there were any public comments on this item. Ms. Holton-Hodson moved approval of the Resolution and Mr. Buckhorn seconded the motion. The Resolution was adopted with 6-Aye vote (taken by roll call). Mr. Reyes abstained.

Chairperson Wynne asked for public comment. Hearing none and with no additional business, the meeting as adjourned, in memory of Harry Bistrin, at 2:55PM.